Proposal to Privatise Nationalised Banks

137. SHRI J. CHITHARANJAN:
SHRI GURUDAS DAS GUPTA:
SHRI O.P. KOHLI:

Will the Minister of FINANCE be pleased to state:-

(a) whether Government are considering a proposal to privatise nationalised banks;

(b) if so, the details thereof and the reasons therefor; and

(c) the manner in which Government propose to ensure control over banks after privatisation?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) The Committee on Financial Sector Reforms (Narasimham Committee-II) had observed that the Indian banks, by and large, are not sufficiently capitalised and further capital enhancement would be necessary for the larger Indian banks and especially those which wish to have an international presence. The Committee has therefore observed that with the competing demands on the budget for investment in areas like infrastructure and social services, Government cannot continue to indefinitely provide capital to public sector banks. The Committee has further suggested that the public sector banks should be encouraged to raise capital from the market and minimum shareholding by the Government in the equity of nationalised banks should be brought down to 33 percent. The recommendations of the Committee are under examination.

(c) Functioning of these banks even after reduction of Government equity below 50 percent will continue to be regulated by Reserve Bank of India under the provisions of Banking regulation Act, 1949.